

MCA - AUDIT, STANDARDS AND RISK COMMITTEE

MINUTES OF THE MEETING HELD ON:

WEDNESDAY, 25 JANUARY 2023 AT 11.00 AM

SOUTH YORKSHIRE MCA, 11 BROAD STREET WEST,
SHEFFIELD, S1 2BQ



Present:

Rhys Jarvis (Vice-Chair)	(Independent Member)
Councillor Ian Auckland	Sheffield City Council
CLlr Sophie Castledine-Dack	Rotherham MBC
David Phillips	Independent Member
Councillor Austen White	Doncaster MBC
Councillor Ken Richardson (Reserve)	Barnsley MBC

In Attendance:

Steve Davenport	Director of Law and Governance	SYMCA Executive Team
Gareth Sutton	Chief Finance Officer/S73 Officer	SYMCA Executive Team
Mike Thomas	Assistant Director of Finance & Deputy s73 Officer	SYMCA Executive Team
Lynne Sutton	Health and Safety Advisor	SYMCA Executive Team
John Dowie	Executive Director of Infrastructure and Place	SYMCA Executive Team
Pat Beijer	Director of Public Transport Development	SYMCA Executive Team
Richard Sulley	Net Zero Project Director	SYMCA Executive Team
Lyndsey Whitaker	Senior Economic Policy Manager	SYMCA Executive Team
Chris Coleman	Light Rail Programme Director	SYMCA Executive Team
Lisa Mackenzie		
Ellen Hinsley (Minute Taker)		

Apologies:

Councillor Phillip Lofts	Barnsley MBC
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94 Welcome and Apologies

The Chair welcomed attendees to the meeting.

Apologies were noted as above.

95 **Urgent Items/Announcements**

None.

96 **Items to be Considered in the Absence of Public and Press**

Members noted that Item 23, Contract Procedure Rules Breach and Suspected Instances of Fraud Report, was restricted from the public. It was agreed that the webcast would be paused when this item was discussed. There were no members of the public in attendance.

97 **Declarations of Interest by any Members**

None.

98 **Reports from and Questions by Members**

None.

99 **Questions from Members of the Public**

None.

100 **Minutes and Actions of the Previous Meeting held on 19 October 2022**

RESOLVED: That the minutes of the meeting held on 19 October 2022 be agreed as a true record, with the amendment that Cllr Auckland was not in attendance.

Completed actions were noted.

Regarding ongoing actions, the Committee noted that:

- Amendments to the Committee Terms of Reference would commence from April 2023.
- An update would be provided on risks posed by ownership of the Tram network during this meeting.
- The closure of Doncaster Sheffield Airport was now contained in the risk register. The Chair recommended that management of the impacts of the closure which cannot be prevented could also be included in the register.
- **ACTION:** Head of Corporate Governance - The Chair requested that a date be allocated to circulating an Assurance Map to members.

The Chair welcomed actions which had been taken on the risk register.

RESOLVED: to note the Action Log.

101 **Health and Safety Update**

A Health and Safety update report was presented. It included information on plans for emergency evacuations at interchanges, and it was noted that mock evacuations had taken place, and a request for more resource would be made

to MCA executive leadership to support risk management in this area.

It was confirmed that Doncaster Interchange was not contained in the report because it was managed by a private company and not the MCA.

RESOLVED: to note the report.

102 **External Audit Report on 2021/22 Accounts**

The report of the external auditors on the 2021/22 South Yorkshire Passenger Transport Executive Accounts was presented, noting that:

- No matters of significant concern had been raised, and the value for money position was unqualified.
- Group accounts for the MCA would be reported to the Committee in March.

It was confirmed that the list of outstanding queries was now shorter than in the report, and remaining queries would be resolved soon.

Officers noted that they disputed the external auditor's control weakness assertion around year-end audit approvals due to the existing controls that are in place.

Pressures on the national audit market, leading to the delay in signing off the 2021/22 Accounts and the subsequent pressure on resource planning, were noted.

The Committee encouraged stronger communication between the MCA, Committee and External Auditors in order to resolve the ongoing issues.

The Chair welcomed receiving a further update on this at the March Board meeting.

RESOLVED: to note the report.

103 **Mid-Year Treasury Management Strategy Report**

The Mid-Year Treasury Management Strategy was presented. The report, which had previously been presented to the MCA Board, noted the performance against the prudential indicators and cash management activity.

It was noted that high cash balances and rising interest rates had generated windfall additional income so far during the year. This had contributed to the financial health of the organisation, and also supported the implementation of a set of cost-of-living measures for residents.

Officers noted that a year-end outturn report would be presented to the Committee at its June session.

RESOLVED: to note the report.

104 **2023/24 Draft Treasury Management Strategy**

The 2023/24 Draft Treasury Management Strategy was presented. It noted that:

- Environmental and Social Governance indicators rating are now a consideration for the MCA in the management of its investment portfolio.
- Qatar had been removed from the list of countries which the MCA would invest with.
- Further work would soon be underway with Local Authority partners to implement an expanded training and skills register for Committee members.
- The MCA was in negotiations regarding its borrowing limit with HM Treasury and was awaiting written confirmation of this.
- The MCA currently had large cash balances due to capital programme slippage, but this position was expected to unwind over the next year with cash balances dropping to more usual levels
- The MCA and SYPTTE were holding more loans than needed, including a number of Lender Option Borrower Option (LOBO) loans. This position would begin to unwind in the next year as over £50m of loans were retired.

Officers noted that the proposed authorised limit for borrowing had been reduced significantly on the previous year. This recognised the approach to the longer-term investment of devolution monies and the agreed approach to borrowing for investment across the MCA and the four South Yorkshire local authorities.

RESOLVED: to note the report.

105

Assurance Framework

A report on the annual review of the MCA's Assurance Framework was presented. The Assurance Framework sets out the governance structures of the organisation for making investment decisions.

An annual review is undertaken of the Framework, and the current review was taking longer than expected due to the need to incorporate:

- The dissolution of SYPTTE
- The evolution of the Local Enterprise Partnerships
- Updates to the Government's Green Book
- New requirements on the gateway review of gainshare funding

Officers noted that in addition to the proposed changes work had been undertaken internally to help with the pace and quality of schemes under development with:

- The creation of a Programme Management Office team, which were supporting the quality of funding applications coming from Local Authority partners
- A new Programme Board having been established to overview programme performance and project officer support for programmes

Conversations were ongoing with Officers and Local Authorities to incorporate other improvements to the Assurance Process, and the Committee's feedback

was welcomed.

ACTION: Head of Assurance and Evaluation - The Chair noted that the “non-executive Audit and Risk Advisory Panel” needed removing, and reference to the “Transport Working Group” including.

RESOLVED: to note the report.

106 **2022/23 Internal Audit Plan Progress Report**

The 2022/23 Internal Audit Report was presented.

The Internal Auditors noted that:

- Approximately 72% of the work plan had been completed
- They intended to present a draft final report to the March meeting of the Committee, and the final Audit Opinion to the June meeting
- A handover process would be undertaken with the incoming Internal Auditors

RESOLVED: to note the report.

107 **Internal Audit Recommendations Tracker**

A report on the Annual Governance Review Process was presented, which noted an outstanding action on supplier resilience, which had been impacted by an ongoing organisational review. A team who would be tasked with implementing this work had now been recruited.

RESOLVED: to note progress against Internal Audit Recommendation Tracker.

108 **Internal Audit Reports**

Two reports of the Internal Auditors were presented regarding:

- A review of work done as part of the Asset Management Audit, showing that some aspects of completing this work were still ongoing.
- A review of the implementation of the MCA’s Net Zero ambitions.

Board members requested further detail on aspirations for income generation by the MCA. The aspiration was that this would come from the Advanced Manufacturing Park Technology Centre, and at Interchanges, where post-pandemic changes to retail was resulting in reduced income.

It was noted that an overarching strategy was needed to effectively map work done against Net Zero targets alongside Government funding, changing national frameworks, and ongoing changes to the MCA. A high risk rating was noted as a result of this.

RESOLVED: to note the report.

109 **Net Zero Programme Update**

A presentation was given on the Net Zero Programme, which covered:

- A noted reduction in carbon emissions in the region
- That transport was the area of the MCA's work which presented the most challenging sector to decarbonise
- An overarching need to reduce energy demand and increase energy efficiency
- That South Yorkshire is a net importer of power
- Large scale electrification was needed, but also support for high intensity industries which aren't able to electrify entirely
- Examples in the logic model for the Net Zero Programme, including transport decarbonisation, and housing retrofit
- The 2023/24 work programme, including growing the staff team delivering this work, data and pathway development, and programme development to align MCA targets with the Mayor's ambitions and government mandates on nature recovery.

ACTION: Net Zero Project Director to share slides used with the Committee.

Members asked about progress on implementing vehicle charging infrastructure. A response was given that the MCA was looking in to applying for new Government funding to support this, but that a core Net Zero target was creating an environment of fewer cars, driven less often, with higher use of public transport.

It was noted that meeting Net Zero ambitions would require a great deal of individual action, but that many of these actions have co-benefits for individuals, such as more energy efficient homes and less congestion on roads.

RESOLVED: to note the update.

110 **Transport Working Group Update**

A verbal update was given on the Transport Working Group, noting key risks in this are as being:

- Reductions in bus patronage
- Lack of ongoing support and funding from Government for buses
- The closure of Doncaster Sheffield Airport

RESOLVED: to note the update.

111 **Preparation for Tram Risk**

A presentation was given on preparation for the risks presented by the MCA's ownership of the tram network.

That the tram concession was due to end in March 2024, at which point the cost and revenue risks associated with the running the network would revert to the MCA.

The ongoing workstreams ensuring the success and seamless transfer of SYSL to NewCo were covered, including:

- Recruiting key skills and competencies to manage the mobilisation and transfer

- Maintenance of both project and corporate risk registers and issues log
- Development of a key communications and stakeholder plan
- Capturing and assessing the data and intelligence from Stagecoach as part of SYMCA due diligence.
- Obtaining legal advice regarding setting up the wholly owned arm's length subsidiary company (NewCo)
- People management
- Setting up a new systems and processes, including a new retailing system

An overview of controls being put in place to manage risks was given, including:

- Development of a mobilisation plan to ensure a seamless transfer in to NewCo in March 2024.
- Targeted recruitment to ensure sufficient mobilisation of key staff resource
- Measures to prevent adverse impact on customer demand during asset renewal
- Providing an attractive and reliable customer offer to offset the impact of covid on demand

Board members asked about plans for pension provision upon transfer, and a response was given that officers were working closely with the HR team and will involve specialist pension advisors in due course to assess and advise on pension obligations associated with the TUPE transfer. **ACTION: Programme Director, Light Rail** to share slides used with the Committee.

RESOLVED: to note the update.

112 **Risk Management Update**

A report on risk management was presented.

RESOLVED: to note the report.

113 **Governance Improvement Plan Update**

A report on the Governance Improvement Plan was presented.

RESOLVED: to note the report.

114 **Annual Governance Review Process**

A report on the Annual Governance Review Process was presented, noting that an ongoing review was taking place regarding the effectiveness of internal systems at MCA, which would allow the 2022/23 Governance Improvement Plan to be more specific and targeted. More findings on this work would be presented to the Board its March meeting.

RESOLVED: to note the report.

115 **Work Plan**

The Committee Work Plan for 2022/23 was presented.

RESOLVED: to note the Work Plan.

116

RESTRICTED: Contract Procedure Rules Breach and Suspected Instances of Fraud Report

A report outlining Contract Procedure Rules Breach and Suspected Instances of Fraud was presented.

The MCA had been made aware of a suspected case of fraud by a procured provider of Adult Education Budget (AEB) funding. An internal review and an external counter fraud investigation had been undertaken, which showed suspected occurrences of fraud in the claims submitted to the MCA. Ofsted, the ESFA and the police had all been notified.

Following an internal review into the resourcing of AEB activity, the MCA had committed to recruiting more compliance officers to support identification of irregularities to supplement other audit activity.

A second instance of concern had been raised with regard to suspected misuses of MCA funding by a recipient of business investment grants. The issue was referred to the internal auditor who undertook an investigation, but found no instances of fraud. The Internal Auditor made a number of recommendations around business processes, which had been implemented by the MCA.

RESOLVED: to note the report.

I, the undersigned, confirm that this is a true and accurate record of the meeting.

Signed

Name

Position

Date